

BEFORE THE
WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 362

IN THE MATTER OF:

Served May 27, 1964

Requirement for Acquisition of New)
Air-Conditioned Buses and Change in)
Rate of Depreciation on Buses of)
D. C. Transit System, Inc.)

On April 12, 1963, by Order No. 245, this Commission changed the rate of depreciation on buses of D. C. Transit System, Inc., (hereinafter sometimes referred to as Transit), acquired after 1956, to reflect a new estimated service life of said vehicles of fourteen (14) years. The revised service life was established to provide a better standard of service in the performance of regular route mass transportation by Transit. The same Order also required Transit to purchase eighty-two (82) new, air-conditioned buses, and beginning in 1964, to purchase on the average each year, a number of new, air-conditioned buses equal to one-fourteenth (1/14) of the number of buses in its fleet.

Subsequently, the Commission has, on its own motion, comprehensively studied various aspects of the mass transportation of passengers in the Metropolitan District.

In the course of this investigation, the Commission received a request from D. C. Transit System, Inc., offering to acquire four hundred new, air-conditioned buses during the calendar year 1964, on the condition that it be permitted to depreciate buses acquired subsequent to 1956 over a ten year period with a six percent salvage value. The Commission does not believe it would be in the public interest to require Transit to replace its equipment after ten years of service life. In other proceedings, the Commission has determined that in order to provide the standard of service it considers adequate for the Metropolitan District, buses used in performing said mass transportation should be used in service no more than twelve years.

The Commission is also of the opinion that all carriers so engaged in mass transportation service should be required to provide said standard of service. The Commission has studied the capital requirements of said standard of service and their impact on the overall economic condition of the carriers, and Transit in particular. Under Section 10(c), Article XII, Title II, of the Compact, the "Commission may, when it deems necessary..., modify the rates (depreciation rates)..." previously prescribed.

The Commission concludes that Transit should be required to provide a higher standard of service to conform to the standards set out herein and to enable it to do so should prescribe a rate of

depreciation that will enable Transit to recover the remaining net book value as of December 31, 1963, of all buses acquired by Transit after 1956, in the form of depreciation charges in equal monthly amounts over a period of twelve years from the date such buses were first placed in service, less an estimated salvage value of six percent of the original cost of such buses new; that the cost of all buses acquired by Transit in the future should be amortized in the form of depreciation charges in equal monthly amounts over a period of twelve years from the date such buses were first placed in service, less an estimated salvage value of six percent of the original cost of such buses new.

In order to provide the standard of service required Transit should be ordered to purchase and place in service two hundred new, air-conditioned buses within the next twelve months, according to the following schedule:

One hundred new, air-conditioned buses on or before November 15, 1964, and an additional one hundred new, air-conditioned buses on or before June 1, 1965.

Transit shall also place in service each year thereafter, a number of new, air-conditioned buses equal to one-twelfth of the number of buses in its fleet.

The above schedule is prescribed in lieu of the requirement imposed upon Transit in Order No. 245, to purchase, on the average each year, a number of new, air-conditioned buses equal to one-fourteenth of the number of buses in its fleet.

Although Transit's existing fares were prescribed based on a lower depreciation expense for its buses (fourteen year life), the Commission does not consider it unreasonable to require Transit to revise its depreciation rates authorized herein, effective January 1, 1964. This requirement will increase the current accrual of depreciation but will to the same extent diminish the amount of depreciation charges allowable in future years.

THEREFORE, IT IS ORDERED:

1. That effective January 1, 1964, contingent on the compliance by Transit with all provisions of this Order, the cost of all buses acquired by D. C. Transit System, Inc., subsequent to 1956, shall be amortized in the form of depreciation charges in equal monthly amounts over a period of time so as to allow transit to recover the net book value as of December 31, 1963, less a salvage value of six percent (6%) of the original cost new, in twelve (12) years from the date such buses were first placed in service.

2. That, contingent on the compliance by Transit with all provisions of this Order, the cost of all buses acquired by Transit in the future shall be amortized in the form of depreciation charges in equal monthly amounts over a period of twelve (12) years from the date such buses were first placed in service, with estimated salvage value at six percent (6%) of the original cost new.


3. That D. C. Transit System, Inc., shall place an order for one hundred (100) new, air-conditioned buses which shall be placed in service on or before November 15, 1964, and an additional one hundred (100) new, air-conditioned buses shall be placed in service on or before June 1, 1965.

4. That beginning in 1966, D. C. Transit System, Inc., shall purchase on the average each year ending June 1, a number of new air-conditioned buses equal to one-twelfth (1/12) of the number of buses in its fleet.

5. That the effective date of this Order shall be June 30, 1964.

6. That a copy of this Order be published in two (2) newspapers of general circulation, once, at least thirty (30) days prior to the effective date of this Order.

BY DIRECTION OF THE COMMISSION:


DELMER ISON
Executive Director